



Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Rose Herrera
Councilmember Sam Liccardo
Councilmember Kansen Chu
Councilmember Ash Kalra

SUBJECT: NORTH SAN JOSE TRAFFIC
IMPACT FEE INCENTIVE
PROGRAM

January 27, 2012

APPROVED: *Chuck Reed*
Rose Herrera
Sam Liccardo
Kansen Chu
Ash Kalra

DATE: 1/27/12

RECOMMENDATIONS

1. Approve the adoption of a resolution amending the North San Jose Area Development Policy to promote near term industrial development through a temporary incentive program allowing the reduction in the traffic impact fee for qualifying industrial development completed within a timeframe to be specified in a development agreement with the following revisions:

Staff Recommendation

Projects larger than 200,000sf

February 1, 2012 –
June 30, 2014

Total SF: 1 million

Traffic Fee: \$5.00/sf

Fee to be paid at issuance of
building permit or deferred until
occupancy

Revised Recommendation

Projects larger than 100,000sf

February 1, 2012 –December 31, 2014 to obtain all
planning and building approvals and a further 2 years as
allowed by Building Code to complete construction

No change.

No change.

Fee payment to be deferred until prior to
occupancy.

Development Agreement

Simple Agreement akin to a Satisfaction Agreement which provides that the development will make a contribution to the economic development of the city in that it creates new, net permanent jobs located within the city, will create new, net revenues for the city, or will retain a number of existing permanent jobs

Administration commits that a 120-day planning review process will be achieved after a developer submits a complete development application as outlined by staff.

City Manager is authorized to execute Agreements with an Info Memo to City Council detailing the development project and a Quarterly Report detailing general progress

Jobs and Revenue Generation Team to be reassembled - with the Office of Economic Development as designated lead - to track and coordinate progress

2. Direct staff to bring for Council consideration in April 2012 modifications to the North San Jose Policy to make grid streets permissive and to provide development flexibility with height and density.

BACKGROUND

The North San Jose Area Development Policy has been in place for five years and it needs to be modified to encourage industrial/office development. In practice, elements of the policy such as grid streets and minimum height requirements are significant inhibitors and are discouraging investments. Thousands of new apartment units are under construction, but the policy has yielded no significant new industrial developments.

The Silicon Valley market is growing and major investments are being made in new development projects. Approximately 2.4 million square feet of new R&D/Office space is either under construction or in the planning and entitlement phases in Santa Clara and Sunnyvale at this time. We have next to nothing happening in San Jose.

Developers and brokers at a "market reality check" meeting hosted by Mayor Reed on January 11th stressed the importance of flexibility with regards to grid streets, urban design, heights and densities recommended in the North San Jose Area Development Policy. They felt that the near term traffic fee reduction proposal for North San Jose was clearly on the right track and would help San Jose better compete with other locations in the Silicon Valley and Bay Area.

San Jose has a significant opportunity to capture some of that growth in 2012, but it is a very competitive market place. To succeed we have to continue to cut time consuming, bureaucratic and costly impediments out of the development process, and facilitate opportunities to accelerate development and construction. The agreements that we recommend should be viewed as opportunities to provide certainty to both the city and the developer of outcomes that deliver on our economic development goals.